

Message Text

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C O N F I D E N T I A L MOSCOW 5376

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E.O. 11652: GDS

TAGS: ETRD, EEWT, ENRG, UK, UR

SUBJECT: UK-SOVIET ECONOMIC CONTACTS INCREASING

1. SUMMARY. REFLECTING IN PART STIMULUS OF RECENT WILSON VISIT, UK-SOVIET ECONOMIC CONTACTS APPEAR TO BE INCREASING SUBSTANTIALLY. UK EMBASSY COMMOFF RECENTLY GAVE COMMATT RUN-DOWN ON STATUS OF SEVERAL POTENTIALLY IMPORTANT DISCUSSIONS BETWEEN MAJOR UK COMPANIES AND SOVIETS.

2. UDOKAN COPPER. RIO TINTO-ZINCE WAS THE FIRST WESTERN METALS COMPANY TO SHOW SERIOUS INTEREST IN UDOKAN COPPER PROJECT(JOINTLY WITH SUMITOMO METALS), AND RTZ TECHNICIANS ACTUALLY VISITED SITE IN 1970. (COMMENT: ACCORDING TO STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY, FIRST DEPUTY MINISTER IN NON-FERROUS METALLURGY MINISTRY STRYGIN HAD WARM PLACE IN HIS HEART FOR RTZ. END COMMENT). DURING 1970-74 PERIOD, DISCUSSIONS OF UDOKAN PROJECT LANGUISHED, BUT RTZ TEAM WAS IN MOSCOW DURING WEEK OF APRIL 14 FOR NEW ROUND OF DISCUSSIONS AIMED AT OBTAINING CLEARER PICTURE OF SOVIET PLANS FOR THIS PROJECT.

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UK COMMOFF SAID THAT RTZ FOUND SOVIETS INTERESTED IN POSSIBILITY

OF RTZ ROLE IN UDOKAN BUT STILL SOMEWHAT FUZZY ON DETAILS OF PROJECT. (COMMENT: THIS RESULT WOULD BE CONSISTENT WITH EMBASSY'S PREVIOUS UNDERSTANDING THAT, SOVIETS ARE CURRENTLY IN PROCESS OF DETERMINING HOW, AND WHEN, UDOKAN SHOULD BE DEVELOPED. END COMMENT).

3. ROLLS-ROYCE (1971)- AEROENGINE DIVISION OF ROLLS-ROYCE SENT DELEGATION TO MOSCOW AT END OF MARCH FOR ADDITIONAL DISCUSSIONS OF COOPERATIVE PROJECTS BASED ON RB-211 (AND FOLLOW-ON GROWTH VERSION). ROLLS-ROYCE TEAM FOUND MINISTRY OF AVIATION INDUSTRY APPARENTLY DETERMINED TO DEVELOP ITS OWN ENGINES FOR IL-86 WIDE-BODIED AIRCRAFT BUT ANXIOUS, AS BEFORE, TO OBTAIN ROLLS-ROYCE TECHNOLOGY FOR THIS PURPOSE. ROLLS-ROYCE, ACCORDING TO UK COMMOFF, MADE CLEAR THAT ITS AIM WAS, AT LEAST IN FIRST INSTANCE, TO SELL ENGINES AND NOT TO PROVIDE TECHNOLOGY, UNLESS ENGINE PURCHASES WERE INVOLVED. WHILE SIGNALS ON AIRCRAFT FRONT WERE RELATIVELY DISAPPOINTING, ROLLS-ROYCE WAS ENCOURAGED BY DISCUSSIONS WITH SOVIETS ON USE OF RB-211 IN VARIOUS INDUSTRIAL APPLICATIONS, PARTICULARLY ON PIPELINE COMPRESSORS. (COMMENT: THIS EVALUATION WAS SUPPORTED BY COPPER-BESSEMER REP, WHO RECENTLY TOLD COMMATT THAT HIS COMPANY SAW GOOD POSSIBILITIES FOR SALES OF ITS COMPRESSORS BASED ON USE OF RB-211. END COMMENT).

4. BRITISH PETROLEUM. AS REPORTED MOSCOW 4497, BP TEAM WAS IN MOSCOW DURING WEEK OF MARCH 31 FOR INITIAL DISCUSSIONS WITH SOVIETS OF COOPERATION IN DEVELOPMENT OF BARENTS SEA OFF-SHORE OIL. BP FOUND SOVIETS INTERESTED IN TERMS (15-20 YEAR CREDITS) WHICH WESTERN COMPANY WOULD HAVE DIFFICULTY PROVIDING AND RELUCTANT (PRESUMABLY ON SECURITY GROUNDS-SEE MOSCOW 5290) TO SUPPLY MUCH INFORMATION ON BARENTS SEA AREA. NONETHELESS, AT CLOSE OF DISCUSSIONS SOVIETS GAVE BP LIST OF 15 POINTS WHERE SOVIETS SAW POSSIBILITY OF BP-SOVIET COOPERATION, WHICH BP UNDERTOOK TO STUDY. (COMMENT: UK COMMOFF SAID HE HAD IMPRESSION THAT BP WAS IN NO HURRY TO REACH AGREEMENT WITH SOVIETS ON BARENTS SEA, OR OTHER PROJECT, BUT NATURALLY WISHED TO KEEP CLOSE TO WHAT COULD BE MAJOR DEVELOPMENT IN OIL INDUSTRY. UK COMMOFF HAS NOT YET SEEN COPY OF 15-POINT SOVIET PROPOSAL. END COMMENT).

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5. COMMENT: ABOVE REPORTS ARE INDICATIVE OF SUBSTANTIAL INCREASE IN INTEREST SHOWN BY UK INDUSTRY IN POSSIBILITY OF DOING SUBSTANTIAL BUSINESS WITH USSR, WHICH REPRESENTS CHANGE IN ATTITUDE FROM THAT SET DURING POST-1968 PERIOD WHEN LEVEL OF EXPORT TO USSR ENTERED PHASE OF RELATIVE STAGNATION. WHILE IT REMAINS TO BE SEEN WHETHER ANY OF THE MAJOR PROJECTS WHICH UK COMPANIES ARE DISCUSSING WITH SOVIETS WILL COME TO FRUITION, AVAILABILITY OF SUBSTANTIAL CREDIT LINE AND OFFICIAL

ENCOURAGEMENT MAY SERVE TO BRING UK FIRMS MORE INTO THE
MAINSTREAM OF SOVIET ECONOMIC COOPERATION WITH WESTERN
INDUSTRY.
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